

**ENCINO COMMONS
PROPERTY BUSINESS IMPROVEMENT
DISTRICT**

**DISTRICT
ASSESSMENT ENGINEER'S
REPORT**

*Prepared by
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May 2006

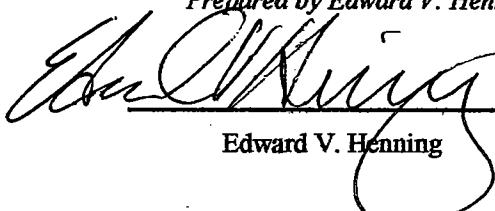
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DISTRICT ASSESSMENT ENGINEER'S REPORT

To Whom It May Concern:

I hereby certify to the best of my professional knowledge and experience that each of the identified benefiting properties located within the proposed Encino Commons Property Business Improvement District ("Encino Commons PBID") will receive a special benefit over and above the benefits conferred on the public at large and that the amount of the proposed assessment is proportional to, and no greater than the benefits conferred on each respective property.

Prepared by Edward V. Henning, California Registered Professional Engineer # 26549



RPE #26549

May 12, 2006

Edward V. Henning

Date

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Introduction

This report serves as the "detailed engineer's report" required by Section 4(b) of Article XIII D of the California Constitution (Proposition 218) to support the benefit property assessments proposed to be levied within the Encino Commons PBID in the City of Los Angeles, California being re-established for a ten year period. The discussion and analysis contained within constitutes the required "nexus" of rationale between assessment amounts levied and special benefits derived by properties within the Encino Commons PBID.

NOTE: The terminology "identified benefiting parcel" or "property" is used throughout this report pursuant to SB 919 - "Proposition 218 Omnibus Implementation Act" which clarified portions of Prop 218. It provides the Engineer and District Consultant with the ability to actually identify individual parcels which will benefit directly either in whole or in part from the proposed District funded programs and improvements and does not imply that all parcels receive assessable benefits.

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Background

The Encino Commons PBID is a property-based benefit assessment type district being re-established as a Property Business Improvement District (PBID) pursuant to Section 36600 et seq. of the California Streets and Highways Code, also known as the Property and Business Improvement District Law of 1994 (the "Act"). Due to the benefit assessment nature of assessments levied within a PBID, district program costs are to be distributed amongst all identified benefiting properties based on the proportional amount of program benefit each property is expected to derive from the assessments collected. Within the Act, frequent references are made to the concept of relative "benefit" received from PBID programs and activities versus amount of assessment paid. Only those properties expected to derive special benefits from PBID funded programs and activities may be assessed and only in an amount proportional to the relative benefits expected to be received.

The method used to determine benefits derived by each identified property within a PBID begins with the selection of a suitable and tangible basic benefit unit. For property related services, such as those proposed in the Encino Commons PBID, the benefit unit may be measured in linear feet of primary street frontage or parcel size in square feet or building size in square feet or number of building floors or proximity to major corridors in average linear feet, or any combination of these factors. Quantity takeoffs for each parcel are then measured or otherwise ascertained. From these figures, the amount of benefit units to be assigned to each property can be calculated. Special circumstances such as unique geography, land uses, development constraints etc. are carefully reviewed relative to specific programs and improvements to be funded by the PBID in order to determine any levels of diminished benefit which may apply on a parcel by parcel or categorical basis.

Based on the factors described above such as geography and nature of programs and activities proposed, an assessment formula is developed which is derived from a singular or composite basic benefit unit factor or factors. Within the assessment formula, different factors may be assigned different "weights" or percentage of values based on their relationship to programs/services to be funded.

Next, all program and activity costs, including incidental costs, district administration and ancillary program costs, are estimated. It is noted, as stipulated in Proposition 218, and now required of all property based assessment districts, indirect or general benefits may not be incorporated into the assessment formula and levied on the District properties; only direct or "special" benefits and costs may be considered. Indirect or general benefit costs, if any, must be identified and, if quantifiable, calculated and factored out of the assessment cost basis to produce a "net" cost figure. In addition, Proposition 218 no longer automatically exempts government owned property from being assessed and if special benefit is determined to be conferred upon such properties, they must be assessed in proportion to benefits

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conferred in a manner similar to privately owned property assessments.

From this, the value of a basic benefit unit or "basic net unit cost" can be computed by dividing the total amount of estimated net program costs by the total number of benefit units. The amount of assessment for each parcel can be computed at this time by multiplying the Net Unit Cost times the number of Basic Benefit Units per parcel. This is known as "spreading the assessment" or the "assessment spread" in that all costs are allocated proportionally or "spread" amongst all properties within the PBID.

The method and basis of spreading program costs varies from one PBID to another based on local geographic conditions, types of programs and activities proposed, and size and development complexity of the District. PBIDs may require secondary benefit zones to be identified to allow for a tiered assessment formula for variable or "stepped-down" benefits derived.

Supplemental Proposition 218 Procedures and Requirements

Proposition 218, approved by the voters of California in November of 1996, adds a supplemental array of procedures and requirements to be carried out prior to levying a property-based assessment like the Encino Commons PBID. These requirements are in addition to requirements imposed by State and local assessment enabling laws. These requirements were "chaptered" into law as Article XIII D of the California Constitution.

Since Prop 218 provisions will affect all subsequent calculations to be made in the final assessment formula for the Encino Commons PBID, Prop 218 requirements will be taken into account first. The key provisions of Prop 218 along with a description of how the Encino Commons PBID complies with each of these provisions are delineated below.

(Note: All section references below pertain to Article XIII of the California Constitution):

Finding 1. From Section 4(a): "Identify all parcels which will have a special benefit conferred upon them and upon which an assessment will be imposed"

There are 74 "identified" individual parcels within the Encino Commons PBID which will derive special benefit from the proposed District programs and activities. The benefits are special and unique only to the identified properties within the proposed District because programs and services (i.e. image enhancement, maintenance, administration,

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and special projects) will only be provided directly for the identified properties. These identified benefiting parcels are shown on the Boundary Map within the Management District Plan and are listed as an attachment to the Plan and this report - identified by assessor parcel number. One benefit zone has been identified within the District which include all properties within the subject Ventura Boulevard corridor from Balboa to White Oak. The address series is 16900 through 17661 Ventura Boulevard. Only commercial parcels shall be assessed to fund special benefit services as outlined in the Management Plan which will benefit proportionately to the proposed programs and services based on the proposed levels of service and the corresponding cost estimates. It is noted that there are no parcels zoned solely for residential or agricultural use within the proposed District.

Finding 2. From Section 4(a): “Separate general benefits (if any) from the special benefits conferred on parcel(s). Only special benefits are assessable. “

As stipulated by Prop 218, assessment district programs and activities may confer a combination of general and special benefits to properties, but the only program benefits which can be funded through assessments are those attributed to special property related benefits. For the purposes of this analysis, a “general benefit” is hereby defined as: “A benefit to properties in the area and in the surrounding community or benefit to the public in general resulting from the improvement, activity, or service to be provided by the assessment levied”. From this, the definition of “special benefit” would thereby be: “A benefit unique and special to identified properties resulting from the improvement, activity, or service to be provided by the assessment levied”.

In the case of the proposed PBID, the very nature of the purpose of this district is to fund supplemental programs, improvements and services above and beyond what is being currently funded either via normal tax supported methods or other funding sources. Specifically they include:

1. IMAGE ENHANCEMENT

Having successfully completed numerous Image Enhancement projects that have helped transform the district, this budget has been considerably reduced. Image Enhancement will now include quarterly newsletters to inform stakeholders of the BID’s progress and maintenance of the district’s website, www.encinocommons.com, a valuable promotional tool for both property and business owners.

2. MAINTENANCE

Maintenance will be the primary focus of the renewed BID. In the past five years over 200 trees have been planted, 3 center islands and 39 decorative pots installed and landscaped as well as street furniture including inlaid brick pavers, benches and trash receptacles established. As mentioned above, in 2005, the BID plans to install two gateway signs and pedestrian lighting. The renewed BID will continue to maintain all of these improvements.

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Landscape maintenance will be done on a monthly basis. All planters will be kept clear of trash and debris and weeded weekly. Flowers, shrubs and ground covers will be pruned or trimmed to maintain their size in respect to safety, species, size of planter or relative surroundings. Trees will be kept trimmed throughout the year to maintain pedestrian clearance. Sprinkler systems will be continually checked and serviced, while planters without automatic irrigation will be hand watered. Curbs, parking and paved areas will be kept clean and trash receptacles will be emptied, wiped down and kept graffiti free. Additionally, all bus stops within the district will be pressure washed monthly and the entire district will be pressure washed quarterly. Commercial properties, and in turn their tenants, within the BID will benefit from the bus stop cleanings because they rely on the bus system for patrons and workers. The sidewalk cleanings will likewise benefit the commercial properties and their tenants within the BID as clean sidewalks will attract pedestrian patronage.

3. ADMINISTRATION

Included in the Administration component are the costs for a part-time Executive Director, bookkeeping, office expenses, legal fees, accounting fees, bank charges, annual report and Directors & Officers and General Liability insurance.

4. SPECIAL PROJECTS/CONTINGENCY

The Special Projects/Contingency budget includes City/County collection fees, and additional projects the Owners' Association (BID) deems appropriate.

The proposed programs/services/improvements delineated above will only be provided within the proposed District boundaries and only for the direct special benefit for properties within the District. The fact that the proposed PBID assessments will only be levied on properties within its District boundaries and, in turn, assessment revenues can only be spent on programs, improvements and services that provide direct or special benefit to properties within the PBID boundaries, it is hereby determined that there are no quantifiable, measurable or tangible general benefits in the PBID area and to the surrounding community or the public in general. Hence, 100% of the benefits are deemed "special" and none are deemed "general".

Finding 3. From Section 4(a): "(Determine) the proportionate special benefit derived by each parcel in relationship to the entirety of the.....cost of public improvement(s) or the maintenance and operation expenses.....or the cost of the property related service being provided.

The proportionate special benefit cost for each parcel is listed in Appendix A attached hereto. The individual percentages (i.e. proportionate relationship to the total special benefit related program and activity costs) would be computed by dividing the individual parcel assessment by the total special benefit program costs.

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There is one benefit zone in the proposed district. The assessment revenue will be based 50% on building areas and 25% each on lot sizes and street frontage.

Finding 4. From Section 4(a): “No assessment shall be imposed on any parcel which exceeds the reasonable cost of the proportional special benefit conferred on that parcel.”

Not only are the proposed program costs reasonable due to the benefit of group purchasing and contracting which would be possible through the Encino Commons PBID, they are also considerably less than other options considered by the Encino Commons PBID formation steering committee. The actual assessment rates for each parcel within the PBID directly relate to the level of service to be provided within the benefit zones and the respective numerics for each parcel (i.e. lot size, building size and street frontage).

Finding 5. From Section 4(a): “Parcels.....that are owned or used by any (public) agency shall not be exempt from assessment.....”

There is one publicly owned property currently within the proposed District. This parcel is a public park owned by the City of Los Angeles. The park fronts Ventura Boulevard between Paso Robles and Genesta. The BID does not provide any services to this block or the interior of the park. The BID will not direct any special projects that include the park, the BID will not feature the park in the quarterly newsletters or website, and the BID will not maintain the grassy sidewalks of the park or its interior. The City’s Department of Recreation and Parks provides maintenance services to the park. Therefore, the park will not benefit from the special project, image enhancement, maintenance or streetscape programs the BID administers and will not require the administration services of the BID. There is conclusive evidence that this parcel would receive no special benefit from the programs, services and improvements proposed to be funded via District assessments. The City’s Department of Recreation and Parks provides all of the aforementioned services for the park. Therefore this parcel will not be assessed at this time.

Finding 6. From Section 4(b): “All assessments must be supported by a detailed engineer’s report prepared by a registered professional engineer certified by the State of California”.

This report serves as the “detailed engineer’s report” to support the benefit property assessments proposed to be levied within the Encino Commons PBID.

Finding 7. From Section 4(c): “The amount of the proposed assessment for each parcel shall be calculated (along with) the total amount thereof chargeable to the entire district, the duration of such payments, the reason for such assessment and the basis upon which the amount of the proposed assessment was calculated.”

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The individual and total parcel assessments attributable to special property benefits are shown on Appendix A attached hereto. The District and resultant assessment payments will continue for ten years and may be renewed again at that time. The reasons (purposes) for the proposed assessments are outlined in Finding 2 above as well as in the Management District Plan. The calculation basis of the proposed assessment is 50% attributed to the specific amount of building square footage and 25% each for land square footage and linear feet of street frontage. There is one (1) Benefit Zone identified.

Assessment Formula Methodology

Step 1. Select "Basic Benefit Unit(s)"

PBID assessment formulas typically are based on either property street frontage or parcel and building size or location, all which relate to the amount of special benefit conferred on a particular parcel and the proportionate assessment to be paid. The formula may base assessments on a single factor or a combination of factors.

Based on the specific nature of the program activities to be funded by the Encino Commons PBID (i.e. image enhancement, maintenance, administration, and special projects) which relate directly to the proportionate amount of real estate (i.e. land) held in ownership, building area, and property street frontage it has been determined that the assessments will be based on parcel size, building size and amount of street frontage.

The "Basic Benefit Unit" will be expressed as a function of land square footage (Basic Benefit "A" Units), building square footage (Basic Benefit "B" Units), and street frontage (Basic Benefit "C" Units). Based on the shape of the Encino Commons PBID, as well as the nature of the District program elements, it is determined that all properties benefit to the same extent, and will gain a direct and proportionate degree of benefit based on the respective amount of parcel size, building size and amount of street frontage.

Step 2. Quantify Total Basic Benefit Units

Taking into account all identified benefiting properties and their respective assessable benefit units, there are 2,335,839 square feet of assessable parcel land area, 1,236,199 square feet of assessable building area and 9,535.85 linear feet of street frontage.

Step 3. Calculate Benefit Units for Each Property.

The number of Benefit Units for each identified benefiting parcel within the Encino Commons PBID was computed from data extracted from City of Los Angeles City Clerk land records as well as County of Los Angeles Assessor

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records and maps. These data sources delineate current land uses, property areas and dimensions of record for each tax parcel. While it is understood that this data does not represent legal field survey measurements or detailed title search of recorded land subdivision maps or building records, it does provide an acceptable basis for the purpose of calculating property based assessments. All respective property data being used for assessment computations has been provided to each property owner in the PBID for their review. All known or reported discrepancies, errors or misinformation have been corrected.

Step 4. Determine Assessment Formula

All identified properties within the proposed District are commercial land uses such as retail, service, office or parking. Thus all properties will be assessed in a similar proportionate manner using the same formula. The Encino Commons PBID assessment is to be based on three Basic Benefit Unit factor; parcel size (Benefit "A" Unit), building square footage (Basic Benefit "B" Units), and street frontage (Basic Benefit "C" Units) within one (1) Benefit Zones. It has been determined that the assessment should be based approximately 25% (25.45% actual) on parcel size, approximately 50% (48.88% actual) on building size and approximately 25% (25.67% actual) on street frontage as follows:

Assessment Formula Factors:

Property Size Factor (Benefit Unit "A") = $(\$123,919.18 \times 25.45\%) / 2,335,839 \text{ SF} = \$0.0135/\text{SF Property}$, plus

Building Size Factor (Benefit Unit "B") = $(\$123,919.18 \times 48.88\%) / 1,236,199 \text{ SF} = \$0.049/\text{SF Property}$, plus

Street Frontage Factor (Benefit Unit "C") = $(\$123,919.18 \times 25.67\%) / 9,535.85 \text{ LF} = \$3.336/\text{LF Property}$

Step 5. Estimate Total District Costs

The total District costs are shown below in Table 1.

TABLE 1
Total Year 1 District Costs

Cost Description	Year 1
Image Enhancement	\$500.00
Maintenance	\$82,920.00
Administration/Corporate Operations	\$31,000.00
Special Projects/Contingency	\$9,499.00
TOTAL DISTRICT COSTS	\$123,919.18

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Step 6. Separate General Benefits from Special Benefits and Related Costs (Prop 218)

All general benefits (if any) are intangible and unquantifiable. All benefits derived from the assessments outlined in the District Management Plan are for services directly benefiting the property owners within this specialized Zone and support increased commerce and all the other goals and objectives of the PBID. All maintenance, image enhancement activities, special projects, and administration activities are provided solely to properties within the district to increase patronage to the and commercial properties and their tenants within the BID. No services are delivered outside the boundaries. Any potential spill over effect is unquantifiable. Total District revenues are shown below in Table 2.

TABLE 2

Total Year 1 District Revenues

Funding Source	Subtotal Revenue	% of Total
PBID Assessments	\$123,919.18	100.00%
TOTAL DISTRICT REVENUE	\$123,919.18	100.00%

Step 7. Calculate "Basic Unit Cost"

With a Year 1 budget of \$123,919.18 (special benefit only), the Basic Unit Costs ("A", "B" and "C") are shown in the District Plan. Since the PBID is planned for a ten year term, maximum assessments for future years (Years 2 through 10) must be set at the inception of the PBID. An annual flat rate increase of up to 3% may be imposed for Years 2-10, subject to approval by the PBID Property Owner's Association.

There will be no additional assessment levied for 2006. The 2006 budget will be funded from assessment revenue rolled over from the prior year. The collection of assessments will begin for the year 2007, which is the second year of the BID term.

Step 8. Spread the Assessments

The resultant assessment spread calculations for each parcel within the PBID are shown in Appendix A attached hereto and were determined by applying the District assessment formula to each identified benefiting property.

Edward Henning & Associates

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APPENDIX A LIST OF PARCELS INCLUDED IN THE DISTRICT

APN	1 ST YEAR ASSESSMENTS	APN	1 ST YEAR ASSESSMENTS
2257 008 001	\$1,129.82	2258 018 018	\$649.79
2257 008 002	\$543.28	2289 001 016	\$1,031.74
2257 008 005	\$354.59	2289 002 001	\$658.99
2257 008 015	\$340.78	2289 002 002	\$315.46
2257 008 026	\$1,083.30	2289 002 003	\$285.39
2257 008 027	\$1,692.34	2289 002 004	\$520.89
2257 008 040	\$2,087.48	2289 002 020	\$757.85
2257 008 045	\$3,319.30	2289 003 004	\$309.62
2257 008 046	\$3,006.76	2289 003 022	\$2,413.68
2257 008 048	\$2,779.59	2289 003 023	\$248.88
2257 008 049	\$2,710.18	2289 003 026	\$20.09
2257 016 001	\$1,006.65	2289 003 027	\$840.83
2257 016 053	\$5,860.14	2289 004 001	\$501.94
2257 016 054	\$2,539.53	2289 004 023	\$745.74
2257 016 056	\$2,548.18	2289 004 029	\$784.61
2257 016 057	\$10,678.17	2289 005 002	\$2,403.35
2258 012 008	\$443.38	2289 005 010	\$636.10
2258 012 013	\$2,250.43	2289 005 012	\$1,075.75
2258 012 014	\$665.78	2289 005 020	\$1,352.88
2258 012 022	\$7,378.07	2289 005 026	\$241.63
2258 012 025	\$3,499.50	2289 005 058	\$731.72
2258 012 026	\$3,992.59	2289 005 059	\$13,458.06
2258 013 001	\$929.61	2290 001 002	\$5,596.55
2258 013 002	\$827.93	2290 004 001	\$1,447.15
2258 013 008	\$217.70	2290 004 024	\$1,169.60
2258 013 011	\$151.29	2290 004 025	\$1,430.45
2258 013 012	\$634.43	2290 004 035	\$1,401.70
2258 013 014	\$856.63	2290 004 038	\$1,332.60
2258 013 019	\$526.71	2290 007 001	\$1,120.29
2258 013 020	\$857.31	2290 007 002	\$1,420.95
2258 013 021	\$595.75	2290 007 007	\$2,297.06
2258 013 022	\$653.19	2290 007 008	\$1,685.52
2258 013 023	\$611.77	2290 008 019	\$1,222.91
2258 018 001	\$720.81	2290 008 020	\$1,777.45
2258 018 002	\$159.53	2290 009 014	\$1,086.41
2258 018 003	\$251.97	2290 010 002	\$1,034.43
2258 018 004	\$445.02	2290 010 012	\$1,561.63
		TOTAL	\$123,919.18